

Message Text

CONFIDENTIAL

PAGE 01 BOGOTA 08152 01 OF 02 271257Z

50

ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

XMB-02 /098 W

----- 099148

R 262255Z AUG 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 429

INFO USDEL MTN GENEVA

AMCONSUL CALI

AMCONSUL MEDELLIN

C O N F I D E N T I A L SECTION 1 OF 2 BOGOTA 8152

EO 11652: GDS

TAGS: ETRD CO

SUBJ: MULTILATERAL TRADE NEGOTIATIONS (MTN)

REF: STATE 181868; BOGOTA 7807

THE FOLLOWING ARE EMBASSY CONTRIBUTIONS TO PARTS 2, 3 AND ANNEX
A AND B OF INTERAGENCY COUNTRY PROFILES:

1. MTN PART II - THE ECONOMY: IN 1967, FOLLOWING TWO DECADES
IF IMPORT SUBSTITUTION POLICIES WHICH GAVE RISE TO SLOW AND
ERRATIC GROWTH, RECURRENT BALANCE OF PAYMENT CRISES, AND EN-
CRUSTATION OF CONTROLS INTO THE ECONOMY, COLOMBIA BEGAN A SWITCH
TOWARD A GREATER RELIANCE ON EXPORT LED GROWTH. SINCE THEN
COLOMBIA HAS ENJOYED MORE RAPID RATES OF REAL GROWTH, 6.4 PER-
CENT, AND RAPID EXPANSION OF NON-TRADITIONAL EXPORTS.

THE AGRICULTURAL SECTOR, WHILE STILL DOMINATED BY COFFEE,
HAS BEEN ENJOYING INCREASES IN OUTPUT ABOVE HISTORICAL
TRENDS IN OTHER EXPORT CROPS AND LOCALLY CONSUMED STAPLES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 08152 01 OF 02 271257Z

INCREASES IN OUTPUT HAVE RESULTED PRIMARILY FROM NEW CULTIVATION

ALTHOUGH THERE ARE A NUMBER OF FACTORS THAT SHOULD BEGIN TO INCREASE LAND PRODUCTIVITY. PERHAPS THE MOST IMPORTANT OF THESE IS THE PRESUMPTIVE TAX OF 8 PERCENT ON URBAN AND RURAL ASSETS INITIATED AS PART OF THE 1974 TAX REFORM. WHILE LAND TAXES HAVE BEEN ON THE BOOKS, THEY HAVE NOT BEEN ENFORCED. THE PRESUMPTIVE TAX, HOWEVER, APPEARS TO BE HAVING AN EFFECT AND ALREADY LAND PRICES ARE FALLING. THE RESULT SHOULD BE STEADILY INCREASING AGRICULTURAL OUTPUT AND A GROWING EXPORTABLE SURPLUS. INDUSTRIAL OUTPUT HAS BEEN INCREASING EVEN MORE RAPIDLY, BY 9-10 PERCENT A YEAR, SINCE 1967 AND NOW REPRESENTS 21 PERCENT OF GDP. THE FIVE LARGEST INDUSTRIES, WHICH CONTRIBUTE 60 PERCENT OF INDUSTRIAL OUTPUT, ARE TEXTILES, BEVERAGES, FOOD PRODUCTS, CHEMICAL AND NON-METALLIC MINERALS. OF THESE, TEXTILES AND FOOD PROCESSING INDUSTRIES ARE COMPETITIVE AT WORLD PRICES. INCENTIVES FOR IMPORT SUBSTITUTION, HOWEVER, STILL EXIST AND THE MAJORITY OF MANUFACTURERS REMAIN HIGHLY PROTECTED.

THE U.S. SHARE OF COLOMBIA'S IMPORTS WAS 42.3 PERCENT IN 1974 AND RISING. 34 PERCENT OF COLOMBIA'S EXPORTS WENT TO NORTH AMERICA, 37 PERCENT TO EUROPE AND 13.4 PERCENT TO ANDEAN GROUP COUNTRIES.

IN SPITE OF RECENT HEALTHY ECONOMIC PERFORMANCE AND PROMISE OF CONTINUED GROWTH, COLOMBIA REMAINS A POOR COUNTRY WITH A BADLY SKEWED INCOME DISTRIBUTION IN WHICH A RELATIVELY SMALL MODERN SECTOR CO-EXISTS WITH A LARGE TRADITIONAL ONE. THE DUAL ECONOMY WILL BE THE UNDERLYING DOMESTIC POLITICAL REALITY FOR THE NEAR FUTURE. THE PRESENT ADMINISTRATION HAS COMMITTED ITSELF TO INCREASING THE PRODUCTIVITY AND THE SHARE OF THE POORER HALF OF THE COUNTRY, PARTICULARLY THE RURAL POOR. IF THE POLICIES PRODUCE RESULTS THE DEMANDS FROM THESE TRADITIONAL SECTORS WILL INCREASE AND THE STABILITY OF THEIR PRODUCT PRICES WILL BECOME INCREASINGLY IMPORTANT. COLOMBIA IS, NEVER THE LESS, A STABLE COUNTRY THAT PURSUES STABLE POLICIES. COLOMBIANS ARE CONSERVATIVE AND LEGALISTIC IN THEIR APPROACH AND PREFER EVOLVING POLICIES TO WIDE SWINGS. THE POLICIES OF THE LAST THREE ADMINISTRATIONS HAVE BEEN CONSISTENT IN THE ESSENTIALS AND WE EXPECT THE NEXT ONE, 1978, WHETHER LIBERAL OR CONSERVATIVE TO CONTINUE THE BASIC POLICY THRUST.

THE CONSTRAINTS ON THE GROWTH OF COLOMBIAN EXPORTS (EXCEPT RECENTLY WHEN WORLD DEMAND HAS SLUMPED) HAVE NOT BEEN TRADE BARRIERS IN COLOMBIA'S EXPORT MARKETS, BUT THE LACK OF AN EXPORT-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BOGOTA 08152 01 OF 02 271257Z

TABLE SURPLUS. EXPORTABLE COMMODITIES ARE REplete WITH EXPORT CONTROLS IMPOSED PRIMARILY TO ASSURE DOMESTIC SUPPLY AND PRICE STABILITY. HOWEVER, AS COLOMBIA'S NON-COFFEE SECTORS CONTINUE PAST HEALTHY RATES OF GROWTH COLOMBIA FEARS EXTERNAL BARRIERS WILL BECOME A MORE IMPORTANT CONSTRAINT, AND SHE THEREFORE GIVES HIGH PRIORITY TO THE MTN NEGOTIATIONS. COLOMBIA IS JOINING GATT PRIMARILY BECAUSE OF THE MTN NEGOTIATIONS AND HAS BEEN PREPARING FOR THE NEGOTIATIONE

SYSTEMATICALLY, SINCE EARLY 1973.

2. PART III - TRADE POLICIES: THE BASIC REALITY UNDERLYING COLOMBIA'S TRADE STRATEGY HAS BEEN ITS INCREASINGLY SUCCESSFUL ATTEMPT TO MOVE AWAY FROM A TOTAL DEPENDENCE ON COFFEE EXPORTS TOWARD A MORE DIVERSIFIED AND COMPETITIVE ECONOMY. THE CONTROLS AND RESTRICTIONS ARE SLOWLY DISSOLVING LEGACIES OF THE IMPORT SUBSTITUTION POLICIES OF THE EARLY SIXTIES. A POLICY OF FLEXIBLE BUT GUIDED EXCHANGE RATES AND EXPORT INCENTIVES LED TO AN AVERAGE ANNUAL RATE OF GROWTH OF MINOR EXPORTS OF 24 PERCENT FROM 1967-73, REDUCING COFFEE'S ROLE FROM 75 PERCENT TO LESS THAN 50 PERCENT OF TOTAL EXPORT EARNINGS. IMPORT LIBERALIZATION HAS PROCEEDED GRADUALLY, MOVING TOWARD COMMON ANDEAN EXTERNAL TARIFFS AND RELAXATION OF NON-TARIFF BARRIERS AND CONTROLS. A PROHIBITED IMPORT LIST HAS BEEN ELIMINATED AND THE FREE IMPORT LIST EXPANDED FROM 150 ITEMS IN 1970 TO 1,442 IN 1974. THIS LIST IS COMPOSED LARGELY OF PRODUCTS IN WHICH THERE IS NO COLOMBIAN PRODUCTION, BUT IT REPRESENTS 41 PERCENT OF REGISTERED IMPORTS. IMPORT LICENSING IS THE PRIMARY IMPORT CONTROL TOOL AND IS USED TO PROTECT DOMESTIC INDUSTRY AND AS A DEVICE TO CONSERVE FOREIGN EXCHANGE AND CONTROL INFLATION. THE DIRECTION IS, HOWEVER, TOWARD GREATER LIBERALIZATION AND DIVERSIFICATION, TRYING TO MOVE INVESTMENT INTO AREAS IN WHICH COLOMBIA HAS A COMPARATIVE ADVANTAGE.

THESE POLICIES HAVE BEEN PURSUED BY THE LAST TWO ADMINIS-

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BOGOTA 08152 02 OF 02 271312Z

50

ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

XMB-02 /098 W

----- 099321

R 262255Z AUG 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 430

INFO USDEL MTN GENEVA
AMCONSUL CALI
AMCONSUL MEDELLIN

C O N F I D E N T I A L SECTION 2 OF 2 BOGOTA 8152

TRATIONS AND PRESIDENT LOPEZ HAS CONTINUED THE PROCESS AND CAN BE EXPECTED TO STEP IT UP. WITH SHORT-TERM PROSPECTS BRIGHTENED BY HIGH WORLD COFFEE PRICES, AND WITH INCREASED REVENUES FROM A HIGHLY SUCCESSFUL TAX REFORM REDUCING DEPENDENCE ON CUSTOMS REVENUES, FURTHER STEPS TOWARD A MORE LIBERAL IMPORT POLICY CAN BE EXPECTED. PREESIDENT LOPEZ HAS REDUCED SPECIAL EXPORT INCENTIVES BUT ACCELERATED CURRENCY DEPRECIATION. HE HAS ELIMINATED SOME COMMODITY SUBSIDIES AND IN GENERAL SHOWN A SOMEWHAT GREATER FAITH IN MARKET FORCES THAN HIS PREDECESSORS.

AFTER NINE YEARS OF AN EVOLVING MARKET RELATED POLICY, THE TECHNOCRATS HAVE ENHANCED THEIR INFLUENCE AND COMPETENCE, AND IT WILL BE THESE, LARGELY U.S. TRAINED INDIVIDUALS, WHO WILL DESIGN COLOMBIA'S MTN POSITION. THE TECHNOCRAT'S SYSTEMATIC ANALYSIS WILL BE TEMPERED BY THE POLITICAL REALITIES OF A STILL HIGHLY PROTECTED, SMALL BUT INFLUENTIAL MODERN SECTOR WHICH PAYS PROTECTED WAGES TO ITS UNIONIZED WORKERS. THIS SECTOR WILL NOT BE MADE TO SUFFER PRECIPITATE DOSES OF COMPETITION. WHILE THE SYSTEMATIC APPROACH COLOMBIA IS TAKING IN MTN PREPARATIONS WILL MOVE THEM OFF IDEOLOGICAL POSITIONS TOWARD A MORE RATIONAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 08152 02 OF 02 271312Z

ITEM-BY-ITEM NEGOTIATION, THEY WILL NOT ABANDON NON-RECIPROCITY AND WILL TRY TO PROTECT LDC PREFERENCES FROM EROSION IN THE MTN.

THE LOPEZ ADMINISTRATION IS COMMITTED TO GIVING AGRICULTURE, PARTICULARLY SMALL HOLDERS, A HIGH PRIORITY AND COLOMBIA CAN BE EXPECTED TO SEEK ACCESS TO WORLD MARKETS FOR THEIR AGRICULTURAL PRODUCTS. IN THIS AREA THE U.S. AND COLOMBIA SHARE THE GREATEST COMMON INTEREST VIZ A VIZ EUROPE IN THE MTN TALKS.

COLOMBIA HAS SUCCESSFULLY EXPANDED ITS EXPORTS TO THE U.S. EVEN WHERE TARIFFS AND NTB'S EXIST. COLOMBIA HAS EXPANDED EXPORTS IN CUT FLOWERS, FISH AND SHELLFISH, SHOES AND LEATHER GOODS, TEXTILES, LUMBER PRODUCTS, FURNITURE, GLASS AND LIGHT MACHINERY. IT CAN THEREFORE BE EXPECTED TO PRESS FOR REDUCED TARIFFS AND NTB'S IN THESE CATEGORIES AS WELL AS OTHERS IN WHICH IT HAS EXPORT POTENTIAL (MEAT PRODUCTS, FRESH FRUITS AND VEGETABLES). THE PRINCIPAL THRUST OF COLOMBIA'S EFFORTS IN MTN IS LIKELY TO BE NON-TARIFF BARRIERS, ALTHOUGH WE BELIEVE THAT THEY REALIZE THE MULTI-FIBER TEXTILE AGREEMENT IS UNLIKELY TO BE ALTERED. THE GOC IS ANXIOUS TO MAINTAIN OR INCREASE ITS SHARE IN THE U.S. SUGAR MARKET AND HAS INDICATED AN INTEREST IN RAISING THIS SUBJECT IN BILATERAL TALKS. WITH ITS POTENTIAL FOR LIVESTOCK AND FRESH FRUIT AND VEGETABLES THE GOC IS LIKELY TO BE INTERESTED IN SUCH OTHER NTB'S AS SANITARY AND LABELING REGULATIONS.

THE FOREIGN TRADE COUNCIL AND THE STAFF OF INCOMEX HAVE BEEN

SYSTEMATICALLY REVIEWING PRODUCTS OF INTEREST TO COLOMBIA SINCE EARLY 1973. THE BASE OF THE EXPORTABLE PRODUCTS BEING REVIEWED IS THE FOUR YEAR EXPORT PLAN, THE LISTS PRESENTED BY COLOMBIA IN UNCTAD FOR THE GENERALIZED SYSTEM OF PREFERENCES, THE LISTS PRESENTED IN CECON FOR THE TRADE NEGOTIATIONS WITH THE U.S., AND THE LISTS SUBMITTED TO THE UNITED STATES FOR GENERALIZED PREFERENCES.

3. ANNEX A: THE FOREIGN TRADE COUNCIL IS THE KEY TRADE POLICY MAKING BODY AND HAS BEEN PREPARING COLOMBIA'S POSITION FOR THE MTN NEGOTIATIONS. THE COUNCIL IS CHAIRED BY THE MINISTER OF ECONOMIC DEVELOPMENT AND INCLUDES THE MINISTERS OF FINANCE, AGRICULTURE AND FOREIGN RELATIONS, THE CHIEF OF THE NATIONAL PLANNING DEPARTMENT, THE MANAGER OF THE NATIONAL COFFEE FEDERATION, THE DIRECTOR OF THE EXPORT PROMOTION FUND (PROEXPO) THE HEAD OF THE INDUSTRIAL DEVELOPMENT INSTITUTE (IFI), AND THE DIRECTOR OF INCOMEX (WITHOUT VOTE). INCOMEX PROVIDES STAFF SUPPORT AND WILL BE CHARGED WITH CARRYING OUT THE COUNCIL'S DECISION. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BOGOTA 08152 02 OF 02 271312Z

4. ANNEX B: ALBERTO GALEANO, DIRECTOR INCOMEX; AUGUSTO ZULUAGA SALAZAR, GENERAL SECRETARY-FOREIGN TRADE COUNCIL; GERMAN BOTERO DE LOS RIOS, GENERAL MANAGER-BANK OF THE REPUBLIC; JORGE CARDENAS GUTIERREZ, NATIONAL COFFEE FEDERATION-ASST MANGER; JORGE RAMIREZ OCAMPO, MINISTER OF ECONOMIC DEVELOPMENT; RODRIGO BOTERO MONTOYA, MINISTER OF FINANCE; MIGUEL URRUTIA MONTOYA, DIRECTOR OF PLANNING DEPARTMENT; RAFAEL GAMA, DIRECTOR OF PROEXPO; INDALECIO LIEVANO AGUIRRE, MIN OF FOREIGN RELATIONS; RAFAEL PARDO BUELVAS, MINISTER OF AGRICULTURE, DIEGO GARCIA GIRALDO, COLOMBIA'S AMBASSADOR TO GENEVA; FELIPE JARAMILLO, ALTERNATE; RAUL GUTIERREZ, SUBDIRECTOR INCOMEX, COMMERCIAL POLICY. VAKY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE COLLECTION, POLICIES, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BOGOTA08152
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750296-0918
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750815/aaaaamqi.tel
Line Count: 260
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 181868, 75 BOGOTA 7807
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUN 2003 by CunninFX>; APPROVED <07 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MULTILATERAL TRADE NEGOTIATIONS (MTN)
TAGS: ETRD, CO, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006